

DATE: June 4, 2004

TO: Region Engineers
Region Delivery Engineers
TSC Managers
Resident/Project Engineers
Region Construction Engineers

FROM: Larry E. Tibbits
Chief Operations Officer

John C. Friend
Engineer of Delivery

SUBJECT: Bureau of Highway Instructional Memorandum 2004-20
Pre-Contract Acceptance Processing of Reduction in Retainage

For all MDOT-let contracts, current MDOT business rules call for reduction in retainage to be completed at the project level, but only after the contract has had formal acceptance (approved Construction Inspection/Certification Report form 1120). This instructional memorandum identifies exceptions where reduction in retainage may be processed on project(s) within a contract prior to that contract's formal acceptance. These exceptions pertain to contracts where establishment periods are required.

Prior to formal acceptance, a reduction in retainage may now be initiated on contracts that meet the following criteria:

1. The contract consists of multiple projects where one of the projects has an establishment period that needlessly delays a justified reduction in retainage on project(s) within that contract.
2. The contract consists of a single project where specific work items within that respective project have an establishment period that needlessly delays a justified reduction in retainage for that project.

In any case, sufficient retainage balance must be kept in place for any pending or anticipated liquidated damage or disincentive activities.

Should your contract meet these criteria, the instructions for performing the reduction in retainage are:

1. The resident engineer prepares a written explanation giving the reasons why MDOT should proceed with the lump sum reduction in retainage prior to submitting formal acceptance. Example: A landscape portion of a contract is holding up acceptance of completed road or bridge projects on the same contract.

Local and consultant agency engineers must notify their respective resident engineer prior to establishing an exception of reduction in retainage.

2. Approval is required by the region engineer. His/her approval must be sent to the Contract Services Division at mdot-estimates@michigan.gov, with a copy to the Engineer of Construction and Technology at obrienbj@michigan.gov in the same email.
3. The Contracts Payment Unit (Contract Services Division) will print the email from the region engineer for documentation and place it in their file.
4. The lump sum reduction in retainage will then be documented in the comments area of the FieldManager Construction Pay Estimate Report for processing.
5. Construction Inspection/Certification Report form 1120 is to be processed as soon as the remaining work is completed.

This instructional memorandum provides an exception to CIM 1996-7, section 2.A., which requires final acceptance prior to reduction in reserve.

Please contact the Contracts Payment Unit at 517-335-3076 if you have any questions.

Chief Operations Officer

Engineer of Delivery

BOHD:C/T:CF:kab

Index: FieldManager

cc:	C & T Support Area Staff	C. Rademacher	V. Blaxton
	Real Estate Support Area, M. DeLong	G. Moore	K. Reincke
	Design Support Area, M. VanPortfleet	T. Fudaly, FHWA	MRBA
	Maintenance Support Area, C. Roberts	MAPA	MCPA
	Traffic & Safety Support Area, J. Culp	MCA	MAA
	C & T Support Area, B. O'Brien	AUC	CRAM
	OEO - S. El Ahmad	MRPA	ACEC
	MPA		